

# Lithuanians Facing Economic Realities

## *Soviet Sanctions Spell Short-Term Disaster*

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GRIGISKES, U.S.S.R.—After decades of subservience to the central planners in Moscow, Lithuanian factory director Ludvikas Miskinis was forced last week to take his first step toward economic freedom. His immediate sensation was a mixture of panic and exhilaration, like an invalid who suddenly finds he must no longer rely on his crutches.

It took just a few pen strokes, 800 miles away in Moscow, to destroy the closeted economic environment in which he had been reared: a world of subsidized energy supplies, obligatory production quotas, guaranteed markets and an obsolescent technological base. Whatever the outcome of the war of nerves now underway between Vil-

nus and the Kremlin, the Grigiskes paper factory will never be the same again.

By cutting off supplies of energy and other raw materials to Lithuania, the Kremlin is forcing factory directors, including Miskinis, to confront economic reality for the first time in their lives. Their predicament can almost be taken as a metaphor for the challenge facing this tiny republic of 3.7 million people as it seeks to restore its prewar independence after half a century of Soviet rule.

In the short term, the Soviet economic sanctions spell disaster: the Grigiskes paper factory will be forced to close down production entirely in three weeks because of lack of oil. Several energy-intensive production lines have already been

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closed. The factory's accounts have been frozen in the central banking system in Moscow, meaning that Miskinis is unable to transfer money to Soviet enterprises willing to break the blockade or receive payments for his products.

For the longer term, however, Miskinis is now drawing up plans for integrating his factory into the economy of Scandinavia and Western Europe. At present, a quarter of the paper products from the plant are exported to the West, but the factory is allowed to keep only 17 percent of the hard currency proceeds. Foreign trade is handled entirely through Moscow; the director does not even know the names of his Western customers.

"Sure, we will have to pay much more for oil once we become independent. But we will also receive real money for our products instead of the kopecks we get now," said Miskinis, a supporter of the Lithuanian independence movement Sajudis.

"Whoever in the Kremlin ordered the economic blockade should be awarded a high Lithuanian medal," said Romualdas Ozolas, a deputy prime minister in Lithuania's new Sajudis-led government, which provoked Moscow's wrath with its March 11 declaration of independence. "We're now being forced to do things that would otherwise have taken us years and years. We are witnessing the birth of a new economic system."

As a senior Sajudis official, Ozolas is obliged to strike an optimistic note. In fact, the transition from one economic system to another will be very painful, even if the Kremlin relaxes its sanctions. After 50 years of subordination to Moscow, with its factories geared to meeting production quotas set by the center, Lithuania is ill-equipped to join the world economy.

Much of the equipment at the Grigskes paper mill, 7 miles west of Vilnius, dates back to 1925, when the factory was founded by a Byelorussian entrepreneur. Some of the machinery has been modernized, but is already out of date. The energy-intensive technological infrastructure reflects the fact that Soviet factories were cushioned from the oil-price shock of the 1970s by plentiful supplies of cheap oil.

The Lithuanian economy may seem relatively prosperous when compared to the Soviet economy as a whole. By West European standards, however, it is hopelessly inefficient. A Lithuanian parliamentary commission recently calculated that Lithuanian factories consumed up to double the raw material as equivalent factories in Sweden or Finland to produce the same output. Heating a square foot of living space in Lithuania requires three times as much fuel as in Finland.

As a first step toward reducing their economic dependency on the Kremlin, factory directors here are trying to organize direct barter arrangements with their clients. Emissaries have been dispatched to Soviet regions controlled by radical groups—including Moscow, Leningrad and the western Ukrainian city of Lvov—to propose exchanges of raw materials for Lithuanian meat and dairy products. The neighboring Baltic republics of Latvia and Estonia have also promised to help.

Lithuanian government officials claim that these early forays have met with some success, but they refuse to provide details of specific deals, saying this could complicate matters for Soviet companies willing to maintain links with them.

The barter deals, by undermining the orders of the central planners in Moscow, constitute the first symbolic step toward creating the conditions for a real market economy. There is no way, however, that

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they could make up for the losses caused by the embargo.

Transportation problems mean that little oil is likely to reach Lithuania over the next few weeks, even if alternative suppliers can be found. The state railway system has refused to carry freight bound for Lithuania. Gas stations in the Soviet republics of Byelorussia and Russia have been instructed not to supply fuel to cars with Lithuanian license plates. The energy embargo has now been extended to include coal supplies.

The only way of making many Lithuanian factories profitable in the long term is to junk the existing plant and start again. Miskinis has drawn up a proposal for a complete renewal of his factory's technological base through a \$300 million joint venture with a Western company. He is looking for partners in Scandinavia or Austria.

Lithuanian plans for economic independence include the creation of a Lithuanian currency, the litt, which would be freely convertible with Western currencies. The launching of the litt—planned for the beginning of 1991—will be combined with a sale of state assets and property in order to mop up the supply of excess rubles.

"Our model is an Eastern version

of the European Common Market," said Kazimieras Antanavicius, a leading Sajudis economist, describing his hopes for creating a free-trade zone with other Baltic states.

The vision of an independent state with a modernized economy will probably be sufficient to sustain most Lithuanians through the hard times that lie ahead. But 20 percent of Lithuania's population is made up of Russians, Poles and Byelorussians. Anti-independence protests by Russian and Polish workers in recent days suggest that the non-Lithuanians are much less inclined to make sacrifices to help Lithuania complete its break with Moscow.

"I have a wife and three children to support. I used to earn 250 rubles a month. Now my salary may be cut to 150 rubles. The shortage of gasoline means that we now have less work," complained Zenon, a Russian truck driver who took part in a blockade of roads leading into Vilnius to protest independence.

The reaction of passers-by to the protest was according to nationality. Russians and Poles stopped to shout their support for the truckers. But Lithuanians helped the police push the trucks out of the road.

"Every family in Lithuania feels the [Soviet] blockade. There's even less than there used to be in the

shops and we have to stand in line for hours for gasoline. But we still have enough to eat. No one is going to starve," said Artur Skerus, a Lithuanian Interior Ministry employee who helped end the truck drivers' protest.

At the local truckers firm, the drivers are divided along predominantly ethnic lines. The factory's Communist Party cell split into rival factions following the formation of a pro-independence Lithuanian Communist Party last December. Half the workers quit the party altogether. The pro-independence faction of the party recruited nine Lithuanians, including the plant director. Eighteen Russians, Poles and Byelorussians stayed in the pro-Moscow party.

The pro-Moscow party cell is led by Nikolai Novikov, a Russian blue-collar worker. Until a few weeks ago, Novikov was secretary of the united party organization and a loyal supporter of the management of the truckers' depot. Today he is busy organizing protests against independence.

"We are demanding three things—work, gasoline and an abolition of the March 11 declaration of independence," said Novikov, explaining that instructions on organizing the protest had come from the

city party committee. The pro-Moscow party has been nicknamed the "Midnight Party" by many Lithuanians—a reference to the hasty way in which it was formed after the last Lithuanian party congress.

Some Sajudis supporters fear that the Midnight Party could seize power if Moscow and Vilnius fail to reach a compromise over lifting the economic blockade. Antanavicius, the economist, believes that the situation is likely to become critical in two or three weeks once energy supplies run out.

"It won't take many soldiers to close down our parliament. Two or three hundred soldiers, enough to tell every deputy he should stay at home. The phone lines would be cut. There would be protest meetings, but there would be nothing anyone could do," he predicted.

Such dark forebodings have caused some Sajudis leaders to privately urge Lithuanian President Vytautas Landsbergis to cut a deal with Moscow before it is too late. Landsbergis has said he is willing to compromise on everything except the most essential point: returning Lithuania to the primacy of the Soviet constitution even on a temporary basis.